



California Agriculture: *Tax Reform Accomplishments*

Promises Made. Promises Kept.

DEAN F. ANDAL, MEMBER
STATE BOARD OF EQUALIZATION
Second District
7540 Shoreline Drive, Suite D
Stockton, CA 95219
(209) 473-6579



Dean Andal

Dean Andal was elected to the Board of Equalization in 1994 to represent the Second District which includes the Central Valley, Inland Empire, and the Central Coast of California.

Dean began his public service as an assistant to then Congressman Norm Shumway (R-Stockton).

As President of Andal Communications, a Stockton based marketing company, Dean has acquired valuable insight into the burdensome regulations and excessive taxation inflicted on California business.

Prior to his election to the Board of Equalization, Dean served as a Member of the California State Assembly for two terms. He represented the 17th Assembly District which encompasses Stockton and most of San Joaquin County. During his tenure in the Assembly, Dean served as a member of the influential Revenue and Taxation and Ways and Means Committees, was honored by major taxpayers rights groups as Taxfighter of the Year for 1992, and served as the Chief Republican Budget Negotiator for the 1993-94 session. Among Dean's most fulfilling accomplishments was the enactment of the trigger mechanism in the 1994-95 budget, which required across the board spending cuts in state government in the event state revenues fail to meet projections.

Since his election to the State Board of Equalization in 1994, Dean has implemented an intensive office consolidation within the 28 counties he represents. To date, he has closed 17 offices generating over \$40 million dollars in savings for California taxpayers.

Dean and his wife Kari reside in Stockton with their young son, Patrick. An Eagle Scout, Dean continues to be active in Scouting.



I. WHAT WAS WRONG?

Agriculture has been the backbone of California's economy from the time it was settled in the early 1800s. Since that time Californians identified agribusiness to be of major public importance, promoting agricultural related business and ensuring the preservation of existing farm lands. Among the steps taken was the passage of the California Land Conservation Act, known as the Williamson Act, whose primary purpose is to encourage the preservation of farm land through reduced property tax burdens. The Legislature has also provided a sales and use tax exemption for the purchase of containers used in packaging food products.

Unfortunately, the Board of Equalization (BOE) was interpreting and implementing these two vital provisions in such a way that they had become ineffective at achieving their intended objectives. Although the Williamson Act was intended to reduce the tax burden on agricultural land, the BOE had set the risk rate component in calculating the capitalization rate in such a way that effectively ensured that Prop. 13 values were often less than under the Williamson Act. The result was that many owners lost the tax benefits provided by the Williamson Act.

Practices by *some* County Assessors in valuing open-space land tended to favor use of projected income from an agricultural use different than the present use that yielded higher values for the land. These practices presented a formidable obstacle in achieving the express goals of the Williamson Act to encourage the preservation, conservation, and continued existence of agricultural and open-space lands.

Board of Equalization staff was narrowly interpreting the sales and use tax exemption applicable to packaging materials which resulted in tax exemptions for only those entities who grow and pack their own food products. The effect of this interpretation was that the exemption applied only to growers (owners) that packaged the food product themselves. However, if they hired someone to package their food products, the exemption did not apply. By severely limiting this exemption, the BOE had created an unequal playing field for packaging companies in California based on a criteria that had no merit.

II. PROMISES MADE : PROMISES KEPT.

1. Promise Made. Increase Risk Rate.

Revise the Assessors Handbook to provide for a higher minimum risk rate in order to preserve the property tax benefits provided in the Williamson Act.



Promise Kept.

The Board has adopted a new Assessor Handbook on the Assessment of Agricultural and Open Space Properties, which has a minimum risk rate of 1 percent. Specific guidelines are offered for adjusting the risk rate.

2. Promise Made : Improve Highest & Best Use Definition.

Revise the Assessors Handbook to include definitions that make the appraisal of open-space land less subjective, and provide factors that must be considered in determining whether to value open-spaced land at other than the present use.



Promise Kept.

The Board has adopted a new Assessor Handbook on the Assessment of Agricultural and Open Space Properties, which specifies the methodology for determining the highest and best use of agricultural properties.

3. Promise Made : Exempt All Food Containers From Tax.

Amend Sales and Use Tax Regulation 1589, Containers and Labels, which officially interprets Section 6364 of the Revenue and Taxation Code, to add the following sections: **(B)** Nonreturnable containers when sold without the contents to persons who place food products for human consumption in the containers for subsequent sale.



Promise Kept.

Sales & Use Tax Regulation 1589 Containers and Labels has been amended and all food containers are now exempt from tax.